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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: APR 12 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

NAVY review(s) completed.

DIA and DOS review(s) completed.

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SECTION 1 (SOVIET)

"C" USSR. New Regulation in Lithuania Bears Out Reports of Disaffection. An obligatory decision of the City Soviet of Vilnius, Lithuania, passed last January, forbids "arbitrary" posting of notices by organizations, enterprises, institutions and private citizens. Violators of this decision are subject to a fine of 100 rubles or up to 30 days corrective labor. The "law" will remain in effect within the city for a two year period. [REDACTED]

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[REDACTED] COMMENT: This regulation would appear to bear out unconfirmed reports that anti-Soviet remarks are often seen either posted or chalked on walls in cities and towns of the Baltic area. However, the mild punishment and limited duration of the law suggests that the Soviets are not overly alarmed at this "passive" activity.

"B" Moscow Claims MacArthur's Ouster Due to His Failure as the Instrument of Aggressive US Policy. Radio Moscow said that President Truman's explanation of his order relieving Gen. MacArthur of his Far East Command "sounded extremely strange," since MacArthur's execution of his commands had been carried out "with Washington's authorization," and "MacArthur did nothing that disagreed with the aggressive policy of the ruling circles in the US." Moscow added that MacArthur's ouster was due, therefore, to his "failure as a Supreme Commander." His troops were "repeatedly defeated" by the "heroic" Korean People's Army and the Chinese volunteers, and he repeatedly revealed "the true plans of the US Government." "With his dismissal," continued Moscow, "the US ruling circles hope to: (1) blame the failure of their disastrous policy on MacArthur; (2) give courage to their European allies, who have been frightened by the indignation of their peoples against efforts to spread the war in Asia; (3) drown the voice of the Peace Partisans..." Moscow then concluded that "the withdrawal of one adventurer cannot alter the adventurous character of US aggressive policy." [REDACTED]

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"B" EASTERN EUROPE. YUGOSLAVIA. Yugoslav Employee in Praha Disappears. The Belgrade press has announced that the Yugoslav Embassy in Praha has delivered two notes requesting competent Czech authorities to investigate the disappearance of a Yugoslav radio operator from the Yugoslav Embassy in Praha in the early morning hours of 31 March. The latest Yugoslav note, dated 11 April, points out that the matter is urgent, since circumstances suggest the participation and responsibility of official Czech organs. The Yugoslav Charge in Praha has informed the US Embassy that he considers it highly significant that the Yugoslav Embassy employee was seized on Embassy property, since the police had numerous opportunities to pick him up outside the Embassy. The Yugoslav Charge believes that the radio operator's disappearance is probably associated with a forthcoming trial, and probably that of Clementis. US Ambassador Briggs comments that the case tends to support the belief that the trial of Clementis is scheduled for the near future. [REDACTED]

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25X1 [REDACTED] COMMENT: The Bulgarian and Yugoslav Governments have recently ousted one another's Charges, while the Hungarian and Yugoslav Governments have recalled their respective Charges. The disappearance of the radio operator from the Yugoslav Embassy in Praha will probably precipitate the recall or ousting of Czech and Yugoslav diplomats. Although no mention was made of collaboration with Tito in the preliminary charges made against Clementis and his co-conspirators, in previous Satellite deviationist trials the defendants have been accused of collusion with Tito.

"C" CURRENT COMMUNISM AND PROPAGANDA. World Peace Council Delegation Fails to Keep Date with UN Secretary General Lie. The recent World Peace Council (WPC) meeting in Berlin resolved to send a delegation to the UN to obtain a revision of UN policies in conformity with the goals of the WPC. Subsequently M. Joliot-Curie, President of the WPC, sent a message to Lie asking for an appointment for the delegation. Lie replied that he would meet the delegation during his current European trip, and later he fixed the meeting for 9 April in Paris. The delegation failed to appear. Instead, while waiting for the delegation, Lie received a letter from Joliot-Curie claiming Curie had received but ten days notice of the impending meeting and that this was too short a period to assemble the delegates from thirteen different nations. "However," Curie advised,

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25X1 "the members of the delegation have been instructed to proceed to the UN at the earliest date on which it will be possible to receive the WPC delegation at the headquarters of the UN." Lie replied that his heavy traveling schedule precluded the fixing of a date at this time for receiving the delegation at UN headquarters. In a separate memorandum, Lie acknowledged the proposals of the WPC and, on his part, restated the goals of the UN.

COMMENT: It had been obvious from the beginning that the WPC delegation was unwilling to meet Lie anywhere but in New York. From the viewpoint of the WPC, maximum propaganda exploitation of their criticism of the UN requires the drama of a delegation actually visiting UN headquarters.

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SECTION 2 (EASTERN)

"C" IRAN. Prime Minister Ala Improves Position. Embassy Tehran reports that Prime Minister Ala's recent decision to suspend martial law in Tehran was caused by: (1) a marked decline in public alarm; (2) criticism arising from the arbitrary action by the security forces; and (3) the determined opposition of the National Front to the imposition of martial law. The last factor is considered by the Embassy as the most important. Ala, who has been conferring with National Front leaders in an effort to secure their cooperation, is reported to have appointed four ministers in response to National Front demands. The Embassy comments that elimination of National Front opposition to martial law issue has strengthened Ala's position for the time being and that his cabinet may well receive a vote of confidence. [REDACTED]

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25X1 [REDACTED] COMMENT: While the strengthening of Ala's position as Prime Minister has improved the situation in Iran in one respect, the magnitude of the problems facing the government provide little cause for optimism concerning any improvement in the over-all situation. Iran will have adequate financial resources to carry out its economic development program if it continues to receive income from its oil resources equal to that promised under the Anglo-Iranian Oil Company (AIOC) supplemental agreement. However, mismanagement of the country's finances has resulted in a stagnant industry and trade. Many workers are unpaid and the currency shortage is such that unless the note issue is increased there is danger that AIOC, the country's largest industry, will not have enough rials to pay its workers. Moreover, opposition to reform by the land-owning and merchant groups, National Front intransigence, and the continuing deterioration in the economic, political and social structure in Iran, as well as the impasse which has developed over the Iranian oil industry, are all factors which presage continuing trouble in Iran and which will probably prevent Ala or his successor from carrying out the reforms which are so necessary if Iran is to achieve governmental and economic stability.

"B" SYRIA-ISRAEL. New Incidents Aggravate Border Tension. Two additional border incidents have been reported along the Syrian-Israeli frontier since the El Hamma clash of a week ago: (1) on 10 April a Syrian-Israeli skirmish took place at the village of Nuqeib on the eastern shore of Lake Tiberias, and (2) on 11 April a brief air engagement occurred between Israeli and Syrian planes in the Lake Hule region of the frontier. Reports from the US Embassies in Damascus and Tel Aviv indicate that the Syrian Army has partially mobilized and that Israeli troops have been consolidated west of the Lake Tiberias and Hule regions but have been reinforced by several tanks. US Ambassador Davis in Tel Aviv states that, while Israel press coverage of the US representations on the Syrian-Israeli dispute are a favorable indication that US demarches have had some effect on the course of events, Israeli government spokesmen have nevertheless carefully imposed certain conditions which, if accepted, would

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mean that Israel would hold all the advantages and yield nothing. Meanwhile US Ambassador Cannon in Damascus reports the views of two UN officials returning from a preliminary investigation of the El Hamma incident. These officials, whose report Cannon indicates might need subsequent checking, expressed (1) their great concern over the potentialities of the situation in the Syrian-Israeli demilitarized zone, and (2) their belief that the Israelis were almost wholly at fault in the recent incidents. [REDACTED]

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COMMENT: The series of border incidents in the last week along the Syrian-Israeli frontier have resulted in a potentially dangerous situation between the two countries in spite of the forthright action of the US, UK, and France in exerting their strong influence against the development of more serious hostilities. Domestic factors within Israel apparently bar any Israeli yielding upon the fundamental dispute: Israel's drainage of land in the Lake Hule demilitarized area. Because of the Army's influence upon the unstable Syrian government and because of the mounting hostility felt by the Arab States generally toward Israel, Syrian restraint in the face of recurrent border clashes is also more difficult.

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"B" INDIA. Congress Party Demonstrates Awareness of Communist Intentions and Propaganda Techniques. The US Embassy, New Delhi, states categorically, without identifying the source of its information, that on 30 March, Kala Venkata Rao, Secretary-General of the All-India Congress Committee of the Indian Congress Party, addressed a confidential letter to all provincial Congress committees saying, "Some references have been received by our office raising the question whether Congressmen can join Stockholm peace committees and sign the (peace) appeal. It is not good for our Congress organization that our members should join such committees or sign appeals as they are designed for certain political purposes". The Embassy does not know if the letter was issued with Prime Minister Nehru's knowledge and approval. [REDACTED] COMMENT: The above message obviously refers to the new international Communist campaign to obtain signatures advocating a Five Power Peace Pact and universal reduction in armaments. It is believed to be the first official notice issued by the Congress Party (as opposed to the Government of India) which indicates an awareness of international Communist intentions and techniques of propaganda. It remains to be seen, however, whether this letter represents an independent move on the part of Congress rightists under President Tandon or whether it has the blessing of Prime Minister Nehru and Congress leftists as well.

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"B" INDIA. Fears of World War Allayed by General MacArthur's Dismissal. According to press reports, the Indians have learned of General MacArthur's dismissal with whole-hearted relief. They had feared that under his direction the United Nations might become embroiled in a third world war. As recently as 28 March, Prime Minister Nehru had complained in Parliament about military commanders who made statements on political affairs. Still more recently, the Indian Government has sought confirmation in Washington of a report that General MacArthur had been authorized to bomb Manchurian

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25X1 bases--a report which caused considerable uneasiness in India. As a result of the General's dismissal, the Indians now hope that fresh efforts can be made to end the war in Korea. [REDACTED] 25X1

"C" INDONESIA. Cabinet Crisis Remains Unsolved. US Ambassador Cochran reports that the Indonesian government crisis continues unsolved, security conditions have deteriorated and the political outlook has become more uncertain. [REDACTED] 25X1
[REDACTED] 25X1 COMMENT: Efforts are still being made to achieve cooperation between the two largest parties in Indonesia--the Masjumi (Moslem) Party and the Indonesian National Party. The government fell on 20 March.

"B" INDOCHINA. French and Vietnam Premier's Positions Strengthened. Military successes in Tonkin during the last two weeks have generally strengthened the prestige of the French and of Vietnamese Premier Huu's government. Huu's opponents recognize that his dislodgment will be more difficult, particularly since rumors that the French are planning to replace him with an even less popular figure have increased the number of his supporters. Indicative of this trend is a report that the country's foremost economist has finally decided to accept the post of Minister of Finance. [REDACTED] 25X1

[REDACTED] 25X1 COMMENT: As the gravity of the military situation in Indochina has lessened, the French have shown an inclination to become correspondingly more intransigent in their dealings with the Vietnamese. Premier Huu has cooperated with the French and it is not likely they are contemplating his early removal. Despite a certain increase in the Huu Government's prestige as a result of the Tonkin victories, it will continue to be generally unpopular throughout Indochina. [REDACTED]

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Communists Ask GOI to Inaugurate Civil Air Service to China. The Chinese Communist regime has requested the Government of India to inaugurate an airline route from Calcutta to China, with stops at Canton, Kunming, Chungking, and other points, according to a report from the US Air Attache in New Delhi. The Government of India hopes to organize this service, using only Indian or Anglo-Indian pilots. [REDACTED]

COMMENT: The inauguration of this air line would provide the only air access from a non-Soviet area to Communist China. At present, the Russians (operating the Sino-Soviet Civil Air Transport Corporation jointly with the Chinese) are the only foreigners permitted to fly aircraft into China. Under

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25X1 any air agreement with the Chinese Communists, the GOI will probably recognize the reciprocal rights of the Chinese to fly civil aircraft to India.

"B" KOREA. Enemy Activities in Northeastern Korea. A US naval interrogation of two fishermen intercepted off the northeastern Korean post of Songjin on 10 April revealed that only small military detachments armed with infantry weapons were deployed in the villages in the Songjin area and that no coastal artillery pieces were in evidence. The fishermen further stated that although there were no Chinese Communist troops in the area, a "recent" UN air raid knocked out eight railway cars carrying Chinese Communist troops with "heavy" casualties. Further confirmation was given to the cutting of the coastal supply route by UN naval and air attacks. [REDACTED] COMMENT: The deployment of small lightly armed coastal defense units in this area is a more logical move than the deployment of major North Korean units [REDACTED]. The "recent" presence of Chinese Communist troops in the area suggests either the movement of replacements into Korea or the movement of casualties back into Manchuria. No major CCF units are believed stationed in this area.

25X1 "C" JAPAN. French Views on Japanese Rearmament. The Director of Far Eastern Affairs, French Foreign Office, has expressed to US Embassy personnel in Paris his opinion that the French will be generally in agreement with the provisional US draft of the Japanese Peace Treaty. However, he stated that France holds the view that while Japan might be permitted to create ground forces, it should not have a navy or air force. [REDACTED] COMMENT: The creation of a Japanese Navy or Air Force is largely academic for at least several years, and Japan will be under severe economic strain in maintaining even minimum ground forces.

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SECTION 3 (WESTERN)

"C" WESTERN EUROPE. Considerable Disagreement Indicated in Final Schuman Plan Talks. The situation will be "fluid" today at the start of the conference in Paris of the Foreign Ministers of the Schuman Plan countries, which is to clear away the remaining problems before signature of the draft treaty. While Monnet, the real author of the Plan, is "still guardedly optimistic" that serious difficulties will not arise, his uncertainty is obvious, and his advisers claim to expect trouble. The Germans are pleased with a compromise tentatively reached on the Saar issue [redacted] but sharp disagreement is now evident among all the participating countries on the composition of the High Authority, national voting strength in the (advisory) Council of Ministers, and location of the coal-steel pool's capital. In talks with Monnet, Belgian Foreign Minister Van Zeeland has intimated he would raise at least two questions not on the agenda, over one of which—later re-examination and perhaps renegotiation of the Treaty—Monnet fears that "serious difficulties" may arise.

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25X1 [redacted] COMMENT: Disagreement to this extent in this final conference was to be anticipated inasmuch as basic decisions determining the relative weight of each participant were deferred in mid-March in order to gain the publicity advantage of having the Treaty at least initialed. Van Zeeland's critical attitude is probably sincerely based on the Belgians' misgivings that their high-cost coal industry will suffer disproportionately under the Plan.

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"B" FRANCE. Vote of Confidence on Queuille's Policies Due Next Week. The Council of Ministers has authorized Premier Queuille to pose the question of confidence on his budgetary policy and desire for elections on 10 June, with emphasis on the latter, and it appears

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"not unlikely" that he will have the necessary support when the vote is taken early next week. Socialist President Auriol, who is known to favor early elections, can be expected to promote establishment of a united coalition front. The Socialists in general appear to have become convinced that a ministerial crisis would not benefit them, and are therefore more conciliatory in their demands for "long-range anti-inflationary measures". On the other hand, it is questionable whether the Radicals will vote tax increases although they are anxious for early elections, and many Popular Republicans (MRP) are reluctant to vote for 10 June elections because they know they will not be returned to the next Assembly.

COMMENT: The Coalition party discipline in the anticipated vote is likely to be poor, and the result close. Even if the opposition fails to muster the absolute majority needed to block Queuille's policies, the Assembly may still find it impossible to clear its heavy calendar in the coming weeks so that elections could be scheduled for June. Furthermore, the aggravated dissension evident within the coalition in recent weeks makes it unlikely that even a stop-gap anti-inflationary program can be rapidly implemented.

"B" SPAIN. Lead Sales to Soviet Orbit Continue. US Embassy Madrid reports that 200 metric tons of lead bars, shipped on 29 March from Cartagena to Antwerp on the SS HELIOS, were consigned to the Societe Financiere Economique Europeene, Liechtenstein, and hence would presumably be transshipped to Czechoslovakia. The Embassy comments that this is believed to be part of an order of about 1,000 tons placed by the Liechtenstein firm through various local dealers. Filling of some orders from legitimate Western European purchasers has been deliberately held up by the Spanish Government pending shipment of lead to the Liechtenstein customer at 23 cents a pound (f.o.b. Spanish port). Minister Suances is reported to have said he was not concerned with the ultimate destination of Spanish lead so long as the metal is shipped first to Western European nations.

"B" MOROCCO: Nationalist Parties Plan Cooperation. The four Moroccan nationalist parties, representing all three zones, reportedly have met in the International Zone of Tangier under the chairmanship of a visiting Egyptian Senator-journalist to sign a pact of unity and cooperation, requiring the parties to (1) present a common front, (2) refrain from negotiating independently with the French, and (3) refuse cooperation with the Communists. A French declaration favoring

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at least the principle of Moroccan independence is deemed a pre-requisite for any negotiations with France. Istiqlal, the most important and largest of the parties, is to act as coordinator in formulating a common policy. Announcement of the "national unity" pact was followed by orderly demonstrations in Tangier streets.

25X1 [REDACTED] COMMENT: Other attempts by the Moroccan nationalists to achieve unity of action have been fruitless. It is not likely that they will agree in the near future upon a program of action for the independence of Morocco since there is considerable mutual distrust, and at least one party has a notable record of willingness to accede to French demands. The French, however, will not look kindly upon Egyptian "interference" in presiding over the signing of this pact. The arrival of six Egyptian journalists to "investigate the Moroccan situation", and the formal note calling on France to grant liberty to Morocco have not received a cordial reception. While no serious French-Egyptian discord is likely, relations will continue to be cool for some time.

"C" UNITED KINGDOM. Cabinet Nearly Split over Budget Issue. US Embassy London reports that one minor item in the new budget--the imposition of partial charges for some hitherto free medical services--brought forth strong opposition from Cabinet Ministers Aneurin Bevan and Harold Wilson, who both threatened to resign. The Embassy attributes the withdrawal of their resignations to the Labor Party's desire to remain in power despite serious internal differences, and adds that Chancellor of the Exchequer Gaitskell's position has been enhanced as a result of the test of strength with Bevan. [REDACTED]

25X1 [REDACTED] COMMENT: Apparently Bevan and Wilson were eager to put themselves on record as opposing any cut in the social services. As two of the youngest men in the Cabinet, their threat of resignation was probably primarily intended as a political gesture to reaffirm their Socialist convictions and to increase their prestige with the rank-and-file of the Labor Party.

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"C" Consulates to be Closed Following Chinese Communist Order. The UK Consulate at Kunming, already scheduled to be closed in May [REDACTED] will probably be closed immediately, following an order delivered presumably by local Communist authorities to surrender Consulate property within ten days. The UK representative in Peiping was told at the Foreign Office that the People's Government had no knowledge of the order. The UK Foreign Office has decided to close the Consulate at Hangkow in May in addition to the offices previously designated for closure at that time. [REDACTED]

25X1 [REDACTED] COMMENT: The forced closure of the Kunming Consulate follows that of the Mukden and Urumchi consulates, which resulted in the UK decision to close a number of other consular offices. British Consulates will remain open at Tientsin, Shanghai, and Canton, in addition to the Embassy at Peiping.

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"C" VENEZUELA. Government Imposes Petroleum Contract over Labor Objections. The Venezuelan Minister of Labor settled by decree on 9 April the two-month-old petroleum labor contract dispute. Workers will get a wage increase of approximately 10% and a few of the "fringe benefits" demanded in the 146-clause proposal submitted to the companies by the all-union bargaining committee. The contract is binding for 30 months. The Minister's action was taken in spite of protests by the workers' committee. US Embassy Caracas feels that the terms are about what the companies were prepared to grant. The oil fields are quiet with no evidence of strike preparations. [REDACTED]

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[REDACTED] COMMENT: Negotiations between the companies and the bargaining committee were suspended by the Government several weeks ago when it appeared that a deadlock had been reached. Several company officials have felt that the Minister intended from the beginning to settle the contract matter himself, and that an impasse would allow him to do so. Certain of the officials believed further that he would like to intervene in the guise of "winning the day" for labor while actually granting only enough to reduce the motive power of the committee. The committee has apparently been strongly influenced by the outlawed Acción Democrática party and could have become an important weapon of this revolutionary group if it were not made to lose face in the eyes of the workers.

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OFFICE OF CURRENT INTELLIGENCE

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12 April 1951

SECTION 1 (SOVIET)

"B" YUGOSLAVIA. Requests for Arms Aid from West Revealed to Yugoslav People. Goaded on by public disclosures in the Western press, the Yugoslav Government has informed the Yugoslav people that it is requesting through normal commercial channels "certain quantities of defensive weapons" to strengthen its arms industry. In a Borba article, Deputy Minister of Foreign Affairs Veljko Vlahovic explained that the decision to obtain arms from the West would not involve any change in Yugoslavia's present policy of independence of any bloc. However, Yugoslav leaders have been on record to the effect that they would seek arms when they believed the time had come to strengthen the army against possible aggression. The Deputy Minister said the decision to seek arms from the West was taken because of the intensive rearmament of Hungary, Rumania, and Bulgaria in violation of their peace treaties, and the increased number of border incidents provoked by Yugoslavia's Satellite neighbors. COMMENT: Yugoslav leaders have been carefully preparing the people for this announcement in recent months. In speeches during February and March Tito publicly admitted that the Government was taking certain measures for the procurement of machines and raw materials for the development of its war industry, but added that, for the present, Yugoslavia could not receive or purchase armaments or weapons without increasing tension with the Cominform states. The release of the Yugoslav White Paper on 9 March probably was partially intended to prepare the Yugoslav people and Party for the admission that Yugoslavia is seeking arms from the West. The Yugoslavs have been negotiating for arms with the French since late 1950, and in February 1951 presented a list of military requirements to the UK. The Yugoslav-French negotiations will probably be concluded this week according to a French Foreign Office spokesman.

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SECTION 2 (EASTERN)

"B" JAPAN. Yoshida "Shaken" at MacArthur's Dismissal. US Political Adviser Sebald in Tokyo cables that he called on Premier Yoshida on 11 April and advised him of MacArthur's dismissal. The Premier was "visibly shaken" and stated that the General's departure would come as a "tremendous shock to the Japanese people". Yoshida added that he feels personally indebted to MacArthur's guidance for his own political success and he attributed the retention of the Emperor institution to the General's influence. In reply to Sebald's personal expression of hope that the Cabinet would not follow the rule of traditional "responsibility" (by resigning) and would carry on during the initial period of Ridgway's take-over, Yoshida gave assurances that his Government would carry on. With an "absolute majority in the Diet" and the probability that the Liberal Party will be successful in the forthcoming local elections, there appeared to be no reason why the Government should not feel secure. The Premier stated that he would convey the gist of the conversation to the Emperor and to the Cabinet and he felt that they would be greatly heartened to learn that the US cooperative policy towards Japan and towards the formulation of a peace treaty remains unchanged. [REDACTED]

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SECTION 3 (WESTERN)

"C" GERMANY. Germans Propose Defense Ministry and Tactical Air Force. At the eighth Allied-German defense conference, the German representative, Theodor Blank, proposed that the Federal Republic create a Ministry of Defense responsible to the parliament. Under the Defense Minister would be an Inspector General, supreme commander of all German troops. The French representative commented that these proposals were rather far from the Brussels agreement and expressed the view that the Western Foreign Ministers wished to avoid the reestablishment of a defense department in Germany. The Allied representative, however, agreed to take note of the German proposals. At this same meeting, the Germans also outlined proposals for a German tactical air force of about 2,000 planes, to be organized on US lines, emphasizing fighters, but also including fighter bombers, light bombers, and reconnaissance aircraft. [REDACTED]

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[REDACTED] COMMENT: Blank already heads the Office for the Billeting of Occupation Troops, which could be expanded into a Ministry of Defense. Despite its name, this office's main function has been the conduct of negotiations on a German defense contribution.

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